



SOCIETY OF ACTUARIES

Article from:

The Stepping Stone

August 2014 – Issue 55

What Would You Do?

Responses to “What’s the Real Offer?”

By John West Hadley

In the May issue of *The Stepping Stone*, I posed the question “*What would you do?*” to the job offer situation below. Here are your responses, and the real-life conclusion of the situation. Send your own ideas for situations to pose in upcoming issues to SteppingStone@JHACareers.com.

WHAT’S THE REAL OFFER?

Sam had been an FSA for three years, working in a variety of areas in a large insurer. However, he felt he had been stagnating a bit in his more recent role, and was ready to make a change. A friend who was an actuarial consultant introduced him to Frank, a senior actuary at an accounting firm, telling him that they were looking for someone like him, and he thought it would be a good fit. Sam agreed that the job sounded like an interesting challenge that would provide him a growth opportunity, and after a series of interviews, he was offered the job.

Sam thought carefully about the offer. Sam felt that his current salary was well below his market value, but the base salary would only be a notch above his current pay, and the bonus Frank told him to expect was about 10 percent. This certainly didn’t seem to make it worth a move to a role that would require extensive overtime during an extended audit season each year, so Sam decided to turn down the offer when he called Frank back on Monday.

On Friday afternoon, Sam received a call from Robert, Frank’s boss and one of the firm’s principals. Robert hadn’t been able to reach Frank (who was traveling), and he wanted to check in on where things stood, since he was very interested in having Sam join the team. Sam shared his concerns with Robert.

Robert explained that Frank was being very conservative, and had quoted him the average bonus a new accountant would receive. However, Robert recognized that actuaries were in a class by themselves, and he was the one who signed off on all actuarial bonuses. He assured Sam that he should expect a bonus at least double that.

With the higher bonus, the compensation was in line with what Sam had been seeking.

What would you do?

Editor’s Note: Most respondents indicated that Sam needs more information before accepting this offer, and one felt that he should simply walk away:

Actuary #1

First, bonuses are not typically guaranteed, so I would hesitate to put much weight on the promise of a higher bonus.

Second, and more importantly, if the guy in charge doesn’t appreciate actuaries, I’m not sure I would want to work there. It’s too easy to find yourself being undervalued long term. Plus the guy who offered a higher bonus could leave the company tomorrow, leaving me working for someone who doesn’t value me.

I’d walk.

The respondents most inclined to accept the offer were these:

Actuary #2

If you’ve got a strong enough base salary and you actually believe you’re going to get the better bonus, take the job. If the bonus doesn’t perform in the first year, start shopping for a new job immediately. I would only do that personally if I had full confidence in the company. If I didn’t, I wouldn’t be taking the job no matter what the bonus.

Actuary #3

Sam has been stagnating. He wants to make a change. This seems like a good fit, and an interesting challenge, and a growth opportunity. He’ll be paid a little more, not a lot more. But what does he lose by taking the job?



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... if the guy in charge doesn’t appreciate actuaries, I’m not sure I would want to work there.

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"I recently took a new job with much longer hours for about the same pay because I was getting stale, and the new job offered many benefits. Best decision I've made in years."

The only red flag is that it sounds like Robert is BS'ing, and presumably he will have to work for Robert. I would want to research Robert's character before accepting the job offer, but the money didn't seem like it should be the tipping point.

Actuary #4

While on the phone with Robert, I would share my reasons for rejecting the offer. From there, I would tell Robert that I would accept the offer once the updated salary and target bonus were put in writing. I would want this in writing to avoid any confusion in the future. I would also ask for details on how my bonus will vary based on overtime and job performance. I would call Frank as soon as possible to share the conversation with Robert and ask that Robert do the same.

Some respondents were concerned about the work/life balance aspect of the decision, to which one person made this interesting observation:

"I recently took a new job with much longer hours for about the same pay because I was getting stale, and the new job offered many benefits. Best decision I've made in years."

And of course, I have to recognize this truly actuarial observation:

"For those of you wanting to negotiate a higher salary instead of the higher bonus, I agree somewhat. There are so many unknowns involved with a move when you are relatively satisfied in your career, I would price in some risk premium for that uncertainty."

Most respondents felt that before moving forward, more discussion on the bonus and perhaps working relationships was in order, and many pointed out that Sam should get the revised bonus in writing. Here are some of the more substantive responses:

Actuary #5

I'd ask myself if the growth I will get from the experience will make the long hours and the small increase in compensation worth it. The bonus makes no difference since that's something that may not be achieved, so I can't count the bonus in my decision-making process. I consider growth a function of opportunities, available resources, and

intentionality on my part. I would follow up with Frank and Robert on specifics of opportunities available, coaching/mentoring resources, and the culture of the company in terms of developing talent.

A busy season and a bonus don't guarantee my growth and development. Grass is never greener on the other side unless I make a conscious decision to learn and grow wherever I am. The feeling of stagnation usually comes from focusing only on the tasks at hand or the positions available instead of focusing on how I can develop my skills, use my strengths, and add value to others.

This is a long way to say, that job isn't worth the move unless I get comfortable with Robert and Frank placing my personal development before the job.

Actuary #6

If the original offer from Frank was in writing, and certainly if it wasn't, Sam shouldn't respond to the revised offer from Robert until he has the offer in writing.

While the offer from Robert is in line with Sam's original expectations, even with a written offer, he needs to ensure that he has a complete picture of the bonus potential:

- What are the drivers of the bonus decision?
- What goals and metrics would he need to meet to receive the improved bonus?
- How much do bonuses vary each year, and what determines that variation?

At a more basic level, Sam believed his pay was low, and the revised offer seems to address that. However, it sounds like it's a move from fixed pay to a combination of fixed and variable, or an increase in the percentage of the compensation that is variable. Sam needs to review his financial situation and any external factors to ensure he's ready and able to take on more variability in his annual compensation.

Sam needs additional information and more thought before he accepts the revised offer.

Actuary #7

First of all I would make sure that Frank was in the loop either by asking Robert if he would be discussing this with Frank or by copying Frank on a thank you to Robert. However, when there is conflicting information I would not accept any position or make any moves until I received an offer in writing that clearly laid out the terms of compensation. Finally a salary that is a notch above a salary “well below market” may still be below market, and if the bonus/salary balance is heavily weighted toward bonus in order to make the total compensation at the market level, then Sam must be very clear about how bonuses are achieved. If the balance is too much bonus and too little salary, and the bonus is determined by events out of Sam’s control or if there is a large potential bonus but not a good track record of bonuses at or near the promised level, then this new compensation package may not be as attractive as it looks.

Actuary #8

A job change has to feel like a move forward to something better. Sam needs to make sure he has the full story on the fit and relationships within the firm as well as compensation to ensure his own success.

It seems odd that Frank and Robert would provide such different information. My first impulse is a big red flag—Frank and Robert aren’t communicating well, Robert wants to get a qualified person in the door, and it’s unclear what the offer means. Sam needs to ask more questions to get the right answers that he needs to make a good decision:

- What are the quantitative criteria for a bonus?
- Are bonuses purely based on personal results, or some other corporate measures?
- Why would actuaries get that much more, and is that a corporate policy, or based purely on Robert’s inclinations?
- What bonuses have been paid historically to actuaries like Sam, and what generally was reflected in those bonus decisions?
- Finally, has Sam explored getting a raise or promotion in his current organization, or has he exhausted his options?

Actuary #9

Sam needs to reconcile what he is hearing from Frank and Robert. This can likely be done by understanding and asking questions specific to:

1. Components of the percentage
2. Basis of the percentage
3. Historical payouts
4. Future potential.

Job salary offers are typically comprised of a set dollar amount base salary level, a target bonus level (typically a percentage of the annual base salary) and sometimes a Long Term Incentive (LTI) component that may require vesting or a commitment to the company for a period longer than one year. The target bonus and LTI payouts can fluctuate based on performance of the company or individual.

Components—Perhaps Robert and Frank are basing the percentage on different components? What exactly is included in the percentage number? Are there compensation perks (LTI, employee recognition awards, department-specific bonuses, additional days off, etc.) that Frank is including in the higher number, and Robert is not?

Basis—Is Sam’s performance (and payout) compared across other actuaries in the company (regardless of the department)? Or, is he assessed based on the specific department he works in along with employees in non-actuarial fields? It may be more challenging to be viewed as a high performer when compared across only the actuarial population. However, if compared across the general employee population, actuaries are in a “class by themselves” according to Robert, and therefore do they typically receive higher payouts?

History—Sam should ask about his specific target bonus level. He should also ask about the fluctuation in that percentage over the past few years, and how that has related to company performance or market conditions. Are different areas of the company known to be either overachievers or underperformers just due to the nature of their department?

Potential—How will the percentages be revisited in the future and potentially increased? Just as base

However, when there is conflicting information I would not accept any position or make any moves until I received an offer in writing that clearly laid out the terms of compensation.

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Sam should be thinking about the full compensation package—health, dental, vision benefits, vacation days, subsidized parking, etc.

salary is re-evaluated each year, are the employee’s individual bonus targets also revisited?

Other—Sam should be thinking about the full compensation package—health, dental, vision benefits, vacation days, subsidized parking, etc. For example, if the new employer offers him three weeks’ vacation (versus two at his current firm), there is value in that.

I would not make a decision on the offer until I had a better understanding of the above factors. The comparison must be done on an “apples to apples” basis.

WHAT REALLY HAPPENED?

Sam decided that with the higher bonus, the move might make financial sense, but felt he needed more certainty about it. He called Frank to tell him what had transpired, and asked if Frank could send him a

letter confirming that the first year bonus would be expected to be at the level Robert had mentioned. Sam told Frank that he recognized it was a bonus and therefore not guaranteed, and understood that Frank might want to include in the letter whatever caveats he needed, such as “assuming high-quality performance.”

Later that day, Frank called Sam to tell him that he didn’t understand why Robert had gotten involved, that the lower bonus stood, and that if Sam were so concerned about compensation, he probably wasn’t the sort of candidate they were looking for.

A few months later, Sam landed his dream job, helping a company build up an actuarial department from scratch. The base salary alone was equivalent to the higher level Robert had offered as base plus bonus, and he was eligible for a substantial bonus on top of that. ●



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